

Ms. Linda Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

Re: AC# 3-SDV-J7 – GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**GCI SPRINGDALE VILLAGE, INC.  
D/B/A SPRINGDALE HEALTHCARE CENTER**

**CAMDEN, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-SDV-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1997	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	13

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 30, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 30, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**SPRINGDALE HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-SDV-J7

	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 09/30/99</u>
Interim reimbursement rate (1)	\$94.50	\$95.25
Adjusted reimbursement rate	<u>80.80</u>	<u>81.55</u>
Decrease in reimbursement rate	<u>\$13.70</u>	<u>\$13.70</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**SPRINGDALE HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-SDV-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.83	\$48.65	
Dietary		6.98	9.44	
Laundry/Housekeeping/Maint.		<u>4.95</u>	<u>7.70</u>	
Subtotal	\$ <u>4.61</u>	46.76	65.79	\$46.76
Administration & Med. Rec.	\$ <u>-</u>	<u>13.70</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		60.46	<u>\$76.17</u>	57.14
<u>Costs Not Subject to Standards:</u>				
Utilities		2.17		2.17
Special Services		3.59		3.59
Medical Supplies & Oxygen		3.99		3.99
Taxes and Insurance		1.33		1.33
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$71.54</u>		68.22
Inflation Factor (3.60%)				2.46
Cost of Capital				8.12
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$80.80</u>

### SPRINGDALE HEALTHCARE CENTER

#### Computation of Adjusted Reimbursement Rate

For the Contract Periods December 1, 1998 Through September 30, 1999  
AC# 3-SDV-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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Utilities		2.17		2.17
Special Services		3.59		3.59
Medical Supplies & Oxygen		3.99		3.99
Taxes and Insurance		1.33		1.33
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$71.54</u>		68.22
Inflation Factor (3.60%)				2.46
Cost of Capital				8.12
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage & CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$81.55</u>



**SPRINGDALE HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1997  
 AC# 3-SDV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,490,027	\$ 375,508 (14) 27,616 (14)	\$ 22,400 (4) 8,490 (11) 29,603 (12) 1,152 (12) 6,615 (15)	\$1,824,891
Dietary	300,834	76,323 (14)	2,005 (12) 9,476 (15)	365,676
Laundry	42,267	17,896 (14)	221 (12) 4,325 (15)	55,617
Housekeeping	90,236	81,209 (14)	959 (12) 29,812 (15)	140,674
Maintenance	40,745	40 (4) 36,572 (14)	413 (12) 13,372 (15) 237 (16)	63,335
Administration & Medical Records	613,414	7,891 (4) 8,802 (4) 1,490 (13) 91,143 (14) 20,420 (14)	4,857 (12) 770 (12) 14,333 (15) 5,532 (15)	717,668
Utilities	75,101	5,667 (4) 67,314 (14)	4,491 (5) 6,158 (6) 23,882 (15)	113,551
Special Services	161,922	2,053 (16) 26,000 (17)	1,814 (12)	188,161
Medical Supplies & Oxygen	356,744	-	52,324 (8) 17,031 (9) 46,757 (10) 31,329 (16)	209,303

**SPRINGDALE HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	49,337	41,611 (14)	7,139 (7) 14,043 (15)	69,766
Legal Fees	-	-	-	-
Cost of Capital	308,560	30,202 (1) 419 (2) 4,271 (3) 3,419 (14) <u>81,248 (18)</u>	1,490 (13) 1,014 (15)	425,615
Subtotal	3,529,187	1,007,114	362,044	4,174,257
Ancillary	208,548	18,672 (8) 45,044 (10)	-	272,264
Non-Allowable	2,947,493	4,491 (5) 33,652 (8) 8,490 (11) 41,794 (12) 122,404 (15) <u>29,513 (16)</u>	30,202 (1) 419 (2) 4,271 (3) 839,031 (14) 26,000 (17) <u>81,248 (18)</u>	2,206,666
Total Operating Expenses	<u>\$6,685,228</u>	<u>\$1,311,174</u>	<u>\$1,343,215</u>	<u>\$6,653,187</u>
TOTAL PATIENT DAYS	<u>36,821</u>	<u>15,578 (19)</u>	<u>-</u>	<u>*52,399</u>

\*Adjusted to 97% occupancy

TOTAL BEDS 148

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 991,651	
	Cost of Capital	30,202	
	Accumulated Depreciation		\$ 258,947
	Other Equity		732,704
	Nonallowable		30,202
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	6,286	
	Cost of Capital	419	
	Accumulated Amortization		1,269
	Other Equity		5,017
	Nonallowable		419
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	4,271	
	Nonallowable		4,271
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Maintenance	40	
	Administration	7,891	
	Medical Records	8,802	
	Utilities	5,667	
	Nursing		22,400
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Utilities	4,491	4,491
	To disallow expense not related to patient care HIM-15-1, Section 2106.1		
6	Retained Earnings Utilities	6,158	6,158
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Accrued Property Taxes Retained Earnings Taxes and Insurance	3,425 3,714	7,139
	To adjust property taxes and related accrual to actual HIM-15-1, Sections 2302.1 and 2304		
8	Ancillary Nonallowable Medical Supplies	18,672 33,652	52,324
	To disallow expense due to lack of documentation and reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
9	Accounts Payable Retained Earnings Medical Supplies	825 16,206	17,031
	To properly charge expense to the proper period HIM-15-1, Section 2302.1		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Accounts Payable	1,713	
	Ancillary	45,044	
	Medical Supplies		46,757
	To reclassify expense to the proper cost center and reverse duplicate posting of expense HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
11	Nonallowable Nursing	8,490	8,490
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
12	Nonallowable	41,794	
	Nursing		29,603
	Restorative		1,152
	Dietary		2,005
	Laundry		221
	Housekeeping		959
	Maintenance		413
	Administration		4,857
	Medical Records		770
	Special Services		1,814
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Administration	1,490	
	Cost of Capital		1,490
	To properly classify income offset HIM-15-1, Section 202.2 State Plan, Attachment 4.19D		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nursing	375,508	
	Restorative	27,616	
	Dietary	76,323	
	Laundry	17,896	
	Housekeeping	81,209	
	Maintenance	36,572	
	Administration	91,143	
	Medical Records	20,420	
	Utilities	67,314	
	Taxes and Insurance	41,611	
	Cost of Capital	3,419	
	Nonallowable		839,031
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
15	Nonallowable	122,404	
	Restorative		6,615
	Dietary		9,476
	Laundry		4,325
	Housekeeping		29,812
	Maintenance		13,372
	Administration		14,333
	Medical Records		5,532
	Utilities		23,882
	Taxes and Insurance		14,043
	Cost of Capital		1,014
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
16	Special Services	2,053	
	Nonallowable	29,513	
	Maintenance		237
	Medical Supplies		31,329
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
17	Special Services Nonallowable	26,000	26,000
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
18	Cost of Capital Nonallowable	81,248	81,248
	To adjust capital return to allowable State Plan, Attachment 4.19D		
19	<u>Memo Adjustment:</u> To increase total patient days by 15,578 to 52,399		
	TOTAL ADJUSTMENTS	<u>\$2,341,152</u>	<u>\$2,341,152</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SPRINGDALE HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-SDV-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>148</u>
Deemed Asset Value	5,042,212
Improvements Since 1981	133,168
Accumulated Depreciation at 9/30/97	<u>(759,485)</u>
Deemed Depreciated Value	4,415,895
Market Rate of Return	<u>.067</u>
Total Annual Return	295,865
Return Applicable to Non-Reimbursable Cost Centers	(2,211)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>20</u>
Allowable Annual Return	293,674
Depreciation Expense	133,848
Amortization Expense	1,323
Capital Related Income Offsets	(2,216)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,014)</u>
Allowable Cost of Capital Expense	425,615
Total Patient Days (Minimum 97% Occupancy)	<u>52,399</u>
Cost of Capital Per Diem	\$ <u><u>8.12</u></u>